



The Simple Flat Tax

“Imagine 4.9 million new jobs. Instead of Obama’s income stagnation, imagine average wages rising 12.2 percent over the next decade. Capital investment rising 43.9 percent. And every income-level seeing double-digit increases in after-tax income. Imagine exports and manufacturing jobs booming. Our trade deficit falling as the tax bias against American made goods is eliminated. Imagine a 10 percent income tax, with every American filling out his or her taxes on a postcard or iPhone app. And abolishing the IRS as we know it.” – Ted Cruz

Summary

It’s time for the next American revolution; it’s time to reignite growth in our economy. And the best way to do that is through fundamental tax reform. Cruz’s Simple Flat Tax abolishes the IRS and replaces the byzantine tax code with a simple, fair tax. America’s economic strength has been smothered by years of Obama’s broken promises, and stifling mandates and taxes, such as those under Obamacare. A great stagnation has led to a lost workforce: Millions of Americans have given up trying to find work and acquire skills to improve their well-being. America needs a bold stroke of pro-growth tax policy to reignite the mighty U.S. economic engine. The Simple Flat Tax is a critical first step to restoring the promise of growth and prosperity in America.

Under the Simple Flat Tax, the current seven rates of personal income tax will collapse into a single low rate of 10 percent. For a family of four, the first \$36,000 will be tax-free. The Child Tax Credit will remain in place, and the Simple Flat Tax Plan expands and modernizes the Earned Income Tax Credit with greater anti-fraud and pro-marriage reforms. As a result, the Simple Flat Tax will ensure that low- and middle-income Americans have greater opportunities – not only through minimal taxes, but also through better, high-paying jobs that the Simple Flat Tax will generate. Under the plan, deductions for charitable contributions and mortgage interest payments are preserved.

The IRS will cease to exist as we know it, there will be zero targeting of individuals based on their faith or political beliefs, and there will be no way for thousands of agents to manipulate the system.

For businesses, the corporate income tax will be eliminated. It will be replaced by a simple Business Flat Tax at a single 16 percent rate. The current payroll tax system will be abolished, while maintaining full funding for Social Security and Medicare.

The convoluted tax code will be replaced with new rules of the game – so simple, in fact, that individuals and families could file their taxes on a postcard or phone app. The Death Tax will be eliminated. The Alternative Minimum Tax will be eliminated. The tax on profits earned abroad will be eliminated. And of course, the Obamacare taxes will be eliminated. Also gone will be the unending loopholes in the current code, the stacks of depreciation schedules for businesses, and the multi-tiered rates on income and investments. Under the Simple Flat Tax, the Internet remains free from taxes.

The results will be truly dramatic. According to the well-respected Tax Foundation, the Simple Flat Tax will deliver an economic boost of tremendous magnitude.

In the first decade, the Simple Flat Tax will:

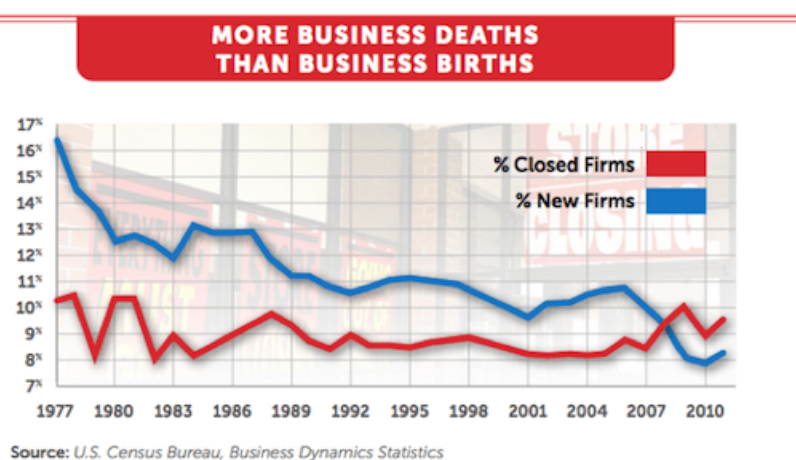
- Boost Gross Domestic Product by 13.9 percent above what is currently projected.
- Increase wages by 12.2 percent.
- Create 4,861,000 additional jobs.

In the tax-cutting spirit of Presidents Ronald Reagan and John F. Kennedy, the Simple Flat Tax will lift Americans out of the current economic stagnation and into an historic boom.

The Obama Economy

America needs an economic revolution. From 2008 to the present, the economy has grown an average of 1.2 percent per year, with the weakest post-recession recovery in 75 years. The labor force participation rate has fallen to a 38-year low. Millions will never acquire the work skills that would empower them to climb the economic ladder and inspire their children to reach even higher. They are the permanent casualties of the ObamaBust, truly a lost workforce.

The sluggish Obama economy is crushing opportunity for Americans who want to work. From exempting Congress from his signature healthcare law, to bailing out big banks, the Obama Administration has made the rich and well-connected more powerful, at the expense of ordinary Americans. Nowhere is this more apparent than in the misfortune befalling small businesses. Recent years have seen a dramatic decline in the rate of business formation. Business deaths now outpace business births. This is a national tragedy. But it's not too late to turn things around. We can once again capture the unparalleled ingenuity that is the American way.



Current Tax Code

Each year, Americans spend 6.1 billion hours on tax compliance. Billion. That's roughly the equivalent of every American taxpayer devoting 45 hours to filing their taxes every year. Or, alternatively, the equivalent of 59,580 Americans working every day with no days off from the age of 18 until retirement. Americans spend massive amounts of time and money on their taxes, giving rise to a cottage industry of tax preparers, lawyers and accountants – all dedicated to coping with the tax code's unproductive complexity. The convoluted code especially harms small businesses that can't afford to hire expensive accountants or pay additional fees. Their tax compliance costs are 67 percent higher than those of big businesses.

The current tax code is an artifact of the Washington Cartel – lobbyists and special interests colluding with government to benefit themselves at the expense of taxpayers. Complexity is the Cartel's greatest ally because it masks backroom favors. Our current labyrinth of a tax system has been a tool for Washington to amass power. Americans are rightfully suspicious of any government code that outruns the length of the Bible.

“Every year we spend about \$500 billion on tax compliance – which is dead weight loss and it doesn't produce even a single truck or tortilla. A flat tax would produce economic growth and create jobs.” – Ted Cruz

What's needed is a fresh start. A simple code that eases compliance will refocus America's energies; instead of Americans working to pay the government, the government will be working for the American people, and unleashing jobs and opportunity.



End the IRS' Partisanship Corruption

“If the IRS has become a partisan arm of the Democratic National Committee, there can be no stronger argument for ending the IRS as we know it, so that no Administration, Democrat or Republican, can use the IRS to target its political opponents. If a Republican president did this, as Richard Nixon tried, I can assure you I would be every bit as loud and clear that it is an abuse of power. And for a Democratic Administration to do this and to find Democratic defenders of this abuse of power is profoundly dangerous to the liberty that is the basis for the incredible miracle we call the United States of America.” – Ted Cruz

Of the 84,000 IRS employees roughly half (48 percent) work on “Examinations and Collections”; roughly another quarter (23 percent) work on “Filing and Account Services.” Under the Simple

Flat Tax, with Americans filing taxes on a postcard, we will need vastly fewer examiners, collectors, filers and account servicer's. Some resources – like those devoted to Obamacare's taxes, or the Death Tax, or the code's countless loopholes – can be totally eliminated. In other words, we will be able to redirect the energies of the 1200 full-time IRS employees currently devoted to Obamacare, and save the \$386 million that the IRS spent last year on Obamacare alone.

The IRS cannot simply be downsized; it must be abolished and replaced – not only because it spawns an over-complicated tax code that burdens taxpayers, but also because of the institutional corruption and political self-dealing that abuses taxpayers. These two defects are interrelated. The system is corrupt in part because it is complicated. Its tangle of laws allows the IRS to conceal political corruption.

The IRS has become a political weapon. Its leadership has targeted Americans because of their religious beliefs, or conservative values, or pro-life stances, or pro-Israel positions. An outrageous sequence of scandal and cover-up by the Obama Administration, abetted by Democrats in Congress, has shredded its last remains of credibility. We need a fresh start with a simple and fair, single-rate tax system, clear enough to be closed to Washington's cronyism.

A Fair & Simple Flat Tax Solution:

The Simple Flat Tax spurs robust economic growth and job creation, while raising after-tax income for all Americans. It dramatically simplifies tax filing so all working people can file their taxes with a postcard or phone app. And it shrinks the Washington Cartel by getting rid of the tax code's rat's nest of requirements, credits, and loopholes.

A low-rate flat tax will spark an economic boom, creating jobs and opportunity for all, resulting in a permanent increase in the size of the U.S. economy. Initial analysis from the respected Tax Foundation in Washington, D.C. shows that the Simple Flat Tax will create an explosion in economic growth explosion of historic dimensions. In the first decade, the Simple Flat Tax will:

- Boost Gross Domestic Product by 13.9 percent above what is currently projected.
- Increase wages by 12.2 percent.
- Create 4,861,000 additional jobs.

The Cruz Simple Flat Tax Postcard

CRUZ FLAT TAX FORM 2017			
LAST NAME	FIRST NAME	MIDDLE NAME	YOUR SOCIAL SECURITY NUMBER
ADDRESS		SPOUSE'S SOCIAL SECURITY NUMBER	
CITY, STATE, ZIP	YOUR OCCUPATION	SPOUSE'S OCCUPATION	
1. Wage and investment income	1.		
2. Personal exemption amount (multiply number of persons in household by \$4,000)	2.		
3. Enter standard deduction amount	3.		
4. Enter itemized deduction amount	4.		
5. Enter the larger of line 3 or line 4	5.		
6. Savings plan contributions	6.		
7. Total deductions (add lines 2, 5 and 6)	7.		
8. Taxable income (subtract line 7 from line 1)	8.		
9. Tentative total tax (multiply line 8 by 0.10 (10 percent))	9.		
10. Earned income and child tax credit amount	10.		
11. Total tax (subtract line 10 from line 9)	11.		
12. Taxes paid (taxes withheld or estimated tax payments)	12.		
13. If line 12 is greater than line 11, the difference is the amount you overpaid	13.		
14. If line 12 is smaller than line 11, the difference is the amount of tax you owe	14.		
YOUR SIGNATURE			

Benefits for Families and Enterprise:

There are many other benefits that will unleash growth for families and enterprise.

Imagine a tax plan that:

Ends the IRS and the Washington Cartel:

- Abolishes the IRS as we know it, and ends the use of the tax code as a political weapon, with a simple tax code that is transparent and resistant to corruption.
- Eliminates the complexity that invites government mischief, corporate welfare, and cronyism so that public faith in the tax system's fairness can be restored.
- Reduces tax evasion and makes sure all businesses pay their fair share at one flat rate.
- Defeats the army of lobbyists allied with politicians – the Washington Cartel – that now sneaks benefits into the tax laws for friends and punishments for foes. Instead of the government choosing winners and losers, individuals and businesses will be free to prosper on their own merit.
- Ends the injustice of cronyism and the hidden costs associated with it, which currently damage the nation's competitiveness and stifle the wages of ordinary Americans. By breaking the Cartel, these costs will end too, and businesses will be free to thrive, hire, and grow.
- Establishes a simple rate for individuals and businesses that is highly visible, which deflects the tendency of politicians to raise tax rates.

Ignites Growth:

- Repeals the corporate income tax, with the highest top rate among developed nations, and stops driving jobs and business overseas. By replacing the corporate income tax with a Business Flat Tax, jobs and growth will return to American soil, and a chronic source of temptation to tinker with the tax code through corporate loopholes will be eliminated.
- Allows for full and immediate expensing of business equipment, which will remove the burdens imposed by the current system on heavy industry, mining, energy, farming, ranching, and manufacturing.
- Removes the current tax penalty on American businesses that earn profits abroad, encouraging those businesses to bring profits home. Businesses will flock to America rather than keep money abroad or move overseas to escape high tax rates – and jobs and growth will come home with them. Under the Simple Flat Tax, U.S. businesses could return their overseas profits to American soil for a one-time 10 percent repatriation fee.
- Eliminates a current competitive disadvantage for American products through border adjustability: foreign imports will be subject to the Business Flat Tax and American exports will have the tax removed, giving U.S. businesses a level playing field.

Provides Opportunity for Everyone:

- Spares citizens from hundreds of wasted hours and expenses in tax compliance – Americans will instead be able to file their taxes on a postcard or a phone app.
- Ensures that low- and middle-income Americans have the opportunity to build their wealth and prosper by exempting the first \$36,000 of income for a family of four.

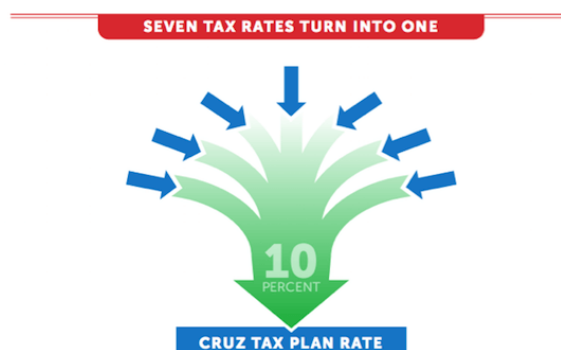
- Allows for automation of compliance. Instead of having individuals report every detail about dividend or interest income, for example, banks, brokers, and financial institutions would simply withhold the tax.
- Eliminates the injustice and burdens of the Death Tax, the Alternative Minimum Tax, and the Obamacare taxes. Family farms and businesses can stay in the family.
- Enables Americans to save up to \$25,000 annually tax-deferred in the Universal Savings Accounts (USA), allowing them to begin a nest-egg and secure their future and that of their children.

The Cruz Simple Flat Tax Features

The Simple Flat Tax eliminates the old convoluted system, creates one low rate for all individuals, and imposes a single, fair rate on businesses. Through its simplicity, the Simple Flat Tax ignites powerful economic growth, and promises an historic boom that will reduce the power of Washington and return prosperity to the people.

Personal Income Tax: 10 Percent

The current seven-tiered income-tax rates for individuals will collapse into a single, low rate: 10 percent. The standard deduction will be \$10,000. The personal exemption will be \$4,000. For a family of four, the first \$36,000 will be tax-free. The Child Tax Credit will remain in place, as will the Earned Income Tax Credit. Existing deductions for charitable contributions and mortgage interest payments are preserved.



Payroll Tax: Eliminated

The Simple Flat Tax will eliminate the payroll tax, boosting jobs and wages for working Americans, while guaranteeing funding for Social Security and Medicare. The vast majority of Americans pay more in payroll taxes than in income taxes. Eliminating the payroll tax altogether will create an enormous incentive for job growth. The Simple Flat Tax is estimated to create an additional 4.86 million new jobs over 10 years, with wages rising by 12.2 percent over the same period – stunning numbers that evidence the growth-producing power of these reforms.

Corporate Income Tax: Eliminated; Business Flat Tax: 16 Percent

The corporate income tax – the source of endless waste and fraud in our tax system – will be eliminated. No longer will American businesses face the highest top tax rate, 35 percent, in the developed world. The trend of American companies and jobs moving off-shore will stop. Instead,

all companies will pay a simple, low rate Business Flat Tax of 16 percent. The tax will be based on revenues minus expenses such as equipment, computers, and other business investments.

Universal Savings Accounts (USA)

Universal Savings Accounts will create a new tool for Americans to achieve personal prosperity: \$25,000 annually can be saved on a tax-deferred basis, and can be used for any purpose, allowing families to save and build for their future.

Death Tax: Eliminated

This unjust tax will be totally eliminated. Time and money wasted on an industry of lawyers and accountants to minimize taxes will be diverted to productive uses. Small family businesses and farms that would have been sold in order to pay the Death Tax will be spared and family businesses will stay in the family.

Catalysts for Growth

The Cruz Simple Flat Tax is a critical step for reigniting growth, but in addition to fundamental tax reform, the Cruz opportunity agenda will unleash growth through the following:

- Health Care: Repeal every word of Obamacare and restore patient-centered health care with greater choice provided by a free market.
- Regulatory Relief: Eliminate regulations such as the Waters of the U.S. Rule that impose tremendous costs and stifle economic recovery.
- Spending Control: Tighten Washington's belt, balance the budget, and pay down the deficit.
- Restoring Constitutional Government: Prevent the lawless behavior that we have seen in the current Administration.
- Trade: Open markets to provide greater opportunity for businesses and more affordable goods and services for Americans.
- Monetary Policy: Return to a sound and stable dollar, a bulwark for economic stability.
- Energy: Unleash the American Energy Renaissance for a new age of affordable and abundant domestic supplies of energy.

Conclusion

My number one priority in the Senate since day one has been economic growth, and the reason is simple. Economic growth is foundational to every other challenge we have, whether it is turning around unemployment or raising the stagnant median wages, whether it is finally tackling and turning around our debt and deficit so that we are no longer bankrupting our kids and grandkids, whether it is rebuilding our military to address the reality that the world has gotten to be a much more dangerous place, or whether it is reforming Social Security and Medicare to strengthen and preserve those vital bulwarks of our society. With growth, we can do all of that. Without growth, we can't do anything.

If we're going to turn this country around, we've got to get back to historic levels of growth 3-4-5-percent growth. Suddenly, the federal budget transforms, and it's worth noting why there's a double whammy with growth. When you have booming growth, millions of people go off unemployment, go off disability, go off food stamps, so expenditures go down. But at the same

time, those same millions of people that get jobs – they begin paying in taxes. Revenues go up as they are providing for their own families. Their work is contributing not only to their wellbeing and self-sufficiency, but also to the good of society.

Growth doesn't come from government. It comes from individuals and enterprise. It comes from entrepreneurs risking capital to meet a need. Government is very effective at obstructing that creative process. If you look historically, every time we pursue out-of-control spending and taxes and regulations, the results have been stagnation and misery and malaise. And every time we pursue tax reform and regulatory reform, the result has been incredible economic growth.

That was true in the 1920s under Calvin Coolidge. It was true in the 1960s under JFK. And it was true in the 1980s under Ronald Reagan. We need fundamental tax reform, and ideally we need to pass a simple flat tax, where every American can fill out his or her taxes on postcard.

–Ted Cruz

Paid for by Cruz for President 2016